



## Arizona Department of Education

The Audit Unit  
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# Average Daily Membership Audit Report Montessori Academy, Inc. Fiscal Years 2015, 2016, and 2017

Report Number—18-26  
April 30, 2018



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Diane Douglas  
Superintendent of  
Public Instruction

April 30, 2018

Juli Newman, Principal  
Montessori Academy, Inc.  
6050 N Invergordon Rd  
Paradise Valley, AZ 85253

Dear Juli Newman,

The Arizona Department of Education Audit Unit has conducted an audit of the Montessori Academy, Inc. (School) Average Daily Membership (ADM) for Fiscal Years 2015, 2016, and 2017. The purpose of the audit was to address whether the School properly reported student enrollment to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School had no issues in Fiscal Years 2015 and 2016, but did not accurately report some student enrollment data for Fiscal Year 2017, which resulted in an understatement of 1.68 ADM. As a result, the School was underfunded by \$10,796.38, which ADE must pay to the School.

We appreciate the cooperation and assistance provided by the School's administration during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Seilheimer".

Tammy Seilheimer,  
Chief Auditor

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# INTRODUCTION AND BACKGROUND

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The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of the Montessori Academy, Inc. (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for Fiscal Years 2015, 2016, and 2017.

***Average Daily Membership audits of district and charter holder funding***—Pursuant to A.R.S. § 15-239, ADE may conduct ADM audits, which help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district's or charter school's information reported to ADE's Student Data System to information found on the original records kept at the school. If auditors find that the school district's or charter school's reported information does not match the original documentation, the audit will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

***Superintendent's legal notice links the audit and appeals processes***—In addition to the report, the audited entity receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction (Superintendent) regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. The audited entity may appeal the Superintendent's decision in the Notice.

***Opportunity to appeal the audit***—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

***Funding adjustment process and timeframes***—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent allow a correction to be made partly in the current budget year and partly in the following budget year.

**School information**— The School has one campus in Paradise Valley, Arizona and serves grades KG through 8.

Table 1 presents the School’s unaudited student, staffing and financial information for Fiscal Years 2015, 2016, and 2017.

**Table 1**

**Montessori Academy, Inc.  
Total students, revenues and expenditures  
Fiscal Years 2015, 2016, and 2017  
(Unaudited)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Students Enrolled</b>	<b>191</b>	<b>179</b>	<b>173</b>
<b>Number of Teachers</b>	20	20	13
<b>Revenue</b>			
Local	\$884,353	\$960,213	\$936,567
County	0	0	31,077
State	1,329,305	1,367,379	1,260,081
Federal	98,634	52,721	41,081
<b>Total Revenues</b>	<b><u>2,312,292</u></b>	<b><u>2,380,313</u></b>	<b><u>2,268,806</u></b>
<b>Total Expenditures</b>	<b><u>\$2,193,915</u></b>	<b><u>\$2,335,418</u></b>	<b><u>\$2,222,423</u></b>

Source: Annual Report of the Arizona Superintendent of Public Instruction for Fiscal Years 2015, 2016, and 2017.

## SCOPE AND METHODOLOGY

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The audit focused on whether the School accurately reported its data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR) and its own policies and procedures for Fiscal Years 2015, 2016, and 2017.

To conduct this audit, auditors used a variety of methods, including examining School and ADE records for enrollment. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff. Specifically:

- ***Instructional hours***—Auditors reviewed the School’s bell schedules and calendars for the fiscal years audited and determined that the School provided at least the minimum number of instructional hours as required by statute for each grade level.
- ***Enrollment data***—Auditors compared the School’s student management system to ADE’s system and identified 123 of the 611 students for further evaluation. Auditors reviewed these 123 student profiles to determine if the enrollment data reported to ADE was accurate. Auditors compared the student profiles to ADE’s information system to determine if the entry and exit date was correct. When the audited entry or exit dates were different from the reported dates auditors recalculated the ADM and made appropriate adjustments to the funded ADM.
- ***Student file documentation***—Auditors reviewed 30 student files to determine if required documentation such as birth certificates, immunization records, residency, withdrawal forms, and associated supporting residency documentation were in compliance.
- ***Special Education (SPED) Data***—Auditors reviewed the students to determine if any were also funded for one of the special education categories. No material SPED adjustments were identified.
- ***Limiting***—Auditors reviewed the total ADM for each enrolled student to ensure that they were appropriately limited. No findings were identified for this area.

Adjustments to ADM are based solely on those identified students that the auditors evaluated further and are not extrapolated to create findings for the entire student population.

The Audit Unit expresses its appreciation to the Montessori Academy, Inc. administration and staff members for their cooperation and assistance throughout the audit.

# **FINDING 1: THE SCHOOL DID NOT ACCURATELY REPORT SOME STUDENT DATA, RESULTING IN AN UNDERPAYMENT OF \$10,796.38**

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The School had no findings for Fiscal Years 2015 and 2016, but inaccurately reported the student enrollment data for 36 of its students for Fiscal Year 2017. Specifically, auditors determined 2 students attended the School but the School did not receive funding, and 34 students were reported to ADE’s Student Data System for funding but did not attend and were not withdrawn. In total, the School’s ADM was understated by 1.68 for its students for the three fiscal years audited. As a result, the School was underfunded by \$10,796.38, which ADE must pay pursuant to A.R.S. § 15-915.

## **The School inaccurately reported some student enrollment data**

The School inaccurately reported the enrollment data for 36 students to ADE, which resulted in the School’s ADM being underreported by 1.68. ADE External Guideline and Procedures GE-17 states that continuing students who do not attend school during the first ten days school is in session are subject to summer withdrawal. According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance or excused absence. Specifically:

- 2 students were not reported for funding for the School in ADE’s Student Data System but were shown as attending, which resulted in the School’s ADM being understated by 2.00.
- 34 students were reported to ADE’s Student Data System for funding but did not attend and were not withdrawn, which resulted in the School’s ADM being overstated by 0.32.

As shown in Table 2, data reporting errors resulted in a net ADM understatement of 1.68 for Fiscal Year 2017.

**Table 2**

**Montessori Academy, Inc.  
ADM adjustments due to enrollment data errors  
Fiscal Year 2017**

<b>Fiscal Year</b>	<b>ADM</b>		
	<b>Attended</b>	<b>Did not Attend</b>	<b>Total</b>
2017	(2.00)	0.32	(1.68)

Source: Auditor analysis of School records and A.R.S. § 15-901.



## The School must properly reconcile its enrollment data with ADE

The School can likely avoid errors in the future by ensuring it regularly and correctly reconciles its data to the data contained in ADE's system. Additionally, the School must ensure that a process is in place that captures the proper entry and exit dates of students to ensure proper funding and reporting of data. The School should review its reconciliation practices to ensure that its staff properly review the reports produced by ADE and reconcile them to the School's SMS data to identify any discrepancies and correct any errors identified. The School should review its internal reporting practices and ensure that it properly documents the actual entry and exit dates of students pursuant to statute.

## The School was underfunded by \$10,796.38

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment data reported to ADE for fiscal year 2017. As a result, the School was underfunded by \$10,796.38 in Basic State Aid, which ADE must pay to the School pursuant to A.R.S. § 15-915. Table 3 shows the ADM and funding adjustment due to enrollment data errors.

**Table 3**

**Montessori Academy, Inc.**  
**ADM and funding adjustments due to enrollment data errors**  
**Fiscal Year 2017**

	<b>2017</b>
<b>ADM</b>	(1.68)
<b>Basic State Aid</b>	\$ (10,796.38)

Source: Auditor analysis of School records, A.R.S. § 15-901.

### Recommendations:

1. The School must properly reconcile its data each year to ensure it complies with ADE External Guideline and Procedures GE-17 and A.R.S. § 15-901.
2. The School must properly withdraw continuing students who do not attend school during the first ten days school is in session.
3. ADE must pay the School \$10,796.38 in Basic State Aid due to inaccurately reported enrollment data.

# ADM AND FUNDING ADJUSTMENTS

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A.R.S. § 15-915 requires that ADE makes corrections for audit findings to state aid. ADE’s School Finance Unit’s Memo 13-011 informs LEAs of these statutory requirements:

*A.R.S. §15-915, as amended by Laws 2012, Chapter 357, Section 3, requires the superintendent of public instruction, when it is determined that state aid or budget limits have been calculated in error, within the prior 3 years, to make corrections to budget limits and state aid in the current year. (Hardship application may be approved by the superintendent). Effective for audits initiated during FY2013 and continuing in subsequent years, corrections for audit findings to both budget capacity and state aid (when applicable) will be made.*

**Basic State Aid adjustment of \$10,796.38 required to be paid by ADE**—Auditors identified an overall funding adjustment of \$10,796.38 for the three fiscal years audited due to inaccurate student enrollment data.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for Fiscal Year 2017.

**Table 4**

**Montessori Academy, Inc.  
ADM and funding adjustments  
Fiscal Year 2017**

	2017	
	ADM	Funding
Enrollment Data	(1.68)	\$ (10,796.38)

Source: Auditor analysis of School records and ADE’s System data for Fiscal Years 2015, 2016, and 2017.